

**PROFIT-SHARING IN CATTLE COORPORATION PROJECT:  
An analysis of the Mudharabah Contract Model in Islamic Law**

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**Abstract**

This research aims to find out how the practice of profit-sharing cooperation takes place and the forms of default that occur between cattle owners and managers in Cot Cut Village, Aceh-Indonesia. The research uses qualitative methods (field research) through interview and observation techniques, as well as secondary data obtained through library research by examining books, journals, propositions and literature related to the research. The results of the research show that cooperation is carried out through verbal agreements without time limits and profit-sharing methods based on the sex of the cow and also the profit sharing for calves. Uncertainty regarding profit sharing occurs when the cows being sold are sick or the profit sharing is slaughtered which causes uncertainty in the profit sharing. The form of the agreement is in accordance with contract law such as Article 1320 of the Civil Code, however, verbal agreements are weak in terms of proof when there is a breach of contract, and based on Islamic agreements, cooperation in raising cattle is in accordance with fulfilling the pillars and conditions of Islamic agreements, especially *Mudharabah* contracts, but in terms of this contract If a default occurs, such as the imposition of compensation (dhaman) and a cut in the ratio, it can result in damaging the validity of the contract due to the lack of clarity and loss of profits received by the manager.

**Keywords:** Default, Cooperation, Contract Law, Profit Sharing, Mudharabah Agreement, Indonesia.

### **Abstrak**

Penelitian ini bertujuan untuk mengetahui bagaimana praktik kerjasama bagi hasil dan bentuk-bentuk wanprestasi yang terjadi antara pemilik dan pengelola sapi di Desa Cot Cut, Aceh-Indonesia. Penelitian ini menggunakan metode kualitatif (penelitian lapangan) melalui teknik wawancara dan observasi, serta data sekunder yang diperoleh melalui penelitian kepustakaan dengan cara menelaah buku, jurnal, proposisi dan literatur yang berkaitan dengan penelitian. Hasil penelitian menunjukkan bahwa kerjasama dilakukan melalui kesepakatan lisan tanpa batasan waktu dan metode bagi hasil berdasarkan jenis kelamin sapi dan juga bagi hasil untuk anak sapi. Ketidakpastian bagi hasil terjadi ketika sapi yang dijual sakit atau bagi hasil disembelih sehingga menimbulkan ketidakpastian dalam pembagian keuntungan. Bentuk perjanjiannya sesuai dengan hukum akad seperti pasal 1320 KUH Perdata, namun demikian akad lisan lemah dalam pembuktian bilamana terjadi wanprestasi, dan berdasarkan akad Islam kerjasama beternak sapi ditegakkan. sesuai dengan terpenuhinya rukun dan syarat-syarat akad Islam khususnya akad Mudharabah, namun dari segi akad ini apabila terjadi wanprestasi seperti pengenaan ganti rugi (dhaman) dan pemotongan nisbah maka dapat mengakibatkan rusaknya keabsahan akad. kontrak akibat ketidakjelasan dan hilangnya keuntungan yang diterima pengelola.

**Kata Kunci:** Aceh, Bagi-Hasil, Kerjasama, Mudharabah, Indonesia, Wanprestasi

### **INTRODUCTION**

Humans rely on the assistance of others to fulfil their basic requirements and accomplish their objectives.<sup>1</sup> Economic relations among individuals are extremely diverse in this regard, as evidenced by the various forms of muamalah conducted in the form of cooperation.<sup>2</sup>

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<sup>1</sup> Yusnedi Achmad, *Aspek Hukum Dalam Ekonomi* (Yogyakarta: Deepublish, 2015).

<sup>2</sup> Iwandi Iwandi, Rustam Efendi, and Chairul Fahmi, 'THE CONCEPT OF FRANCHISING IN THE INDONESIAN'S CIVIL LAW AND ISLAM', *Al-Mudharabah:*

Obviously, each party to the contract in a cooperative relationship has distinct rights and responsibilities; therefore, it is essential to establish a legally binding agreement to ensure clarity regarding the rights and obligations that must be carried out.<sup>3</sup> Article 1313 of the Civil Code defines an agreement as an act by which one or more parties bind themselves to another person or more. Positive law pertains to the regulation of the relationship or engagement between two parties who enter into agreements.<sup>4</sup> It is intricately linked to the law of agreements and is established on the basis of one party's voluntary commitment to carry out a particular action; in this particular instance, the parties to the agreement have reached their decisions without external coercion or threat.<sup>5</sup>

There are numerous varieties of economic activities in the twenty-first century, such as a form of cooperation system in which profit sharing is implemented between the parties to the agreement.<sup>6</sup> Among the diverse array of profit-sharing cooperative models, certain models continue to conform to long-standing community customs; for instance, the Mawah tradition observed by the inhabitants of Aceh exemplifies such a model. Mawah, in and of itself, may be interpreted as a type of cooperative profit-sharing arrangement. Mawah is an economic transaction involving two parties who enter into a contractual agreement. The first party, possessing capital or assets in the form of agricultural capital (e.g., fields or livestock like cows or goats), transfers authority to the second party, who is deemed to possess the requisite knowledge, abilities, and skills to oversee the capital in question and ensure its profitable development for all involved.<sup>7</sup>

Cattle rearing is a prevalent occupation in contemporary society, including the cooperative cattle raising practice observed in Cot Cut Village, Kutabaro District, Aceh Besar Regency. Typically, the keepers engage in this occupation as a supplementary pursuit to their primary occupations.<sup>8</sup> The majority of those engaged in this laborious task belong to the low-income category. By fostering this cooperative practice, it is anticipated that, in addition to the cattle owner and the manager engage in

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<https://doi.org/10.22373/al-mudharabah.v5i2.3409>.

<sup>3</sup> Abdul R Saliman, *Hukum Bisnis Untuk Perusahaan Teori Dan Contoh Kasus* (Jakarta: Kencana, 2020).

<sup>4</sup> Soedharyo Soimin, *Kitab Undang-Undang Hukum Perdata*, 12th ed. (Jakarta: Sinar Grafika, 2013).

<sup>5</sup> Panji Adam, *Hukum Islam: Konsep, Filosofi dan Metodologi* (Jakarta: Sinar Grafika, 2021).

<sup>6</sup> Salim Salim and Erlies Septiana Nurbarani, *Perkembangan Hukum Kontrak Innominaat di Indonesia (Buku Kedua)* (Jakarta: Sinar Grafika, 2022).

<sup>7</sup> Abdul R Saliman, *Hukum Bisnis Untuk Perusahaan Teori Dan Contoh Kasus*.

<sup>8</sup> Abdul R Saliman.

a form of cooperation characterized by verbal communication. Typically, the cattle owner extends invitations to individuals who express interest in collaborating with him. This may include neighbors or individuals who maintain a direct relative relationship with the cattle owner.

When viewed from the concept of Mawah, there are similarities with a form of profit-sharing cooperation commonly referred to as Mudharabah, in general, the definition of Mudharabah is a business cooperation contract between two parties, where the first party provides all (100%) of the capital, while the other party as the manager, the profit of the business in Mudharabah is divided based on the agreement stated in the contract, while if there is a loss in cooperation, the loss is borne by the owner of the capital as long as the loss is not due to fraud or negligence of the manager.<sup>9</sup>

In cooperation, the profit-sharing mechanism is established at the outset of the contractual agreement. The provisions of the agreement reflect the preferences of the managers and investors. According to the author's interview with Muhammad, this cooperative system implements profit sharing in various ways. For instance, the nominal value of the purchase of the cow is included in the contract at the outset for male cows. Once the cow reaches a marketable state, the investor's initial capital is deducted from the profit from the sale of the cow. For instance, if the owner purchases a bull for Rp. 5,000,000. This reduction occurs after a period of 3 to 4 years. Additionally, profit sharing from the sale of female heifers is projected in accordance with progeny. The profit share for the manager and the owner of cows that deliver their first calf is determined by the term "siblah aki" (one leg) and "lhee blah aki" (three legs), respectively. When expressed as a percentage, the profit share for the manager is 75% and the profit for the owner is 25%. For subsequent calves, the profit share remains at 50% for the manager and 50% for the owner.<sup>10</sup>

The fundamental principle of profit sharing is indeed advantageous for the economy. However, in practice, there remain risks that the involved parties must bear. For instance, Saiful Bahri, a cowkeeper, explains that uncertainty exists in profit sharing when the cows are ill and the price of the cow decreases; this not only affects the price of the cow but also the

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<sup>9</sup> Dr Munir Fuady, *Hukum Bisnis dalam Teori Praktek Buku Ketiga* (Jakarta: PT Citra Aditya Bakti, 2018).

<sup>10</sup> Nabilah Anika -, Nabila Indah Chairunnisa -, and Aditya Wahyu Saputro, 'Potensi Praktik Monopoli dalam Merger Bank Syariah Indonesia: Tinjauan Hukum Ekonomi Islam dan Hukum Larangan Monopoli', *Jurnal Hukum Lex Generalis* 2, no. 2 (22 February 2021): 174-94, <https://doi.org/10.56370/jhlg.v2i2.22>.

profit sharing received, as the profits obtained are not allocated accordingly, and Abdul Manaf further elucidates that in situations where the cows become ill and necessitate supplementary purchases of medicines, the caretaker incurs additional capital expenditures to meet these needs. Furthermore, the investor contends that the profit sharing obtained is diminished by the caretaker's expenditures on cow medicine, supplements, and other such necessities.<sup>11</sup>

In general, the prevailing community principle states that in cases of cow mortality, the proprietor is not liable for the incident, provided that the cow's demise was not caused by negligence or accidental action on the part of the proprietor. Upon initial examination of the hypothesis, it becomes apparent that the profit-sharing practice in Cot Cut Village, Kutabaro District, Aceh Besar Regency, gives rise to ambiguity regarding the allocation of outcomes, particularly for the manager, as a result of the unilateral reduction in profit sharing. Furthermore, actions akin to the aforementioned incident constitute a breach of positive legislation, as the manager failed to exercise the rights that ought to have been obtained. Due to the fact that the initial agreement was established solely through verbal communication, it is highly susceptible to fraudulent activities. This is significant because Islam considers justice to be a fundamental aspect that must be upheld in economic transactions in order to preserve the legitimacy of Islamic economic law system and ensure adherence to Islamic values by preventing injustice towards others. The researcher is intrigued by the aforementioned issues and wishes to conduct research under the title "Default in Cooperation for Cattle Raising Based on Agreement Law and Mudharabah Agreement (A Study of Cot Cut Village, Kuta Baro Subdistrict, Aceh Besar Regency)" regarding profit sharing.

## **RESEARCH METHODS**

In the research conducted in this thesis using the type of *field research* (*field research*). Field research is research that is directly carried out in the field or on the respondent which aims to obtain data or information directly by approaching the subject related to the research.<sup>12</sup> In this research, the researcher will visit directly to the research location and present the

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<sup>11</sup> Fathurrahman Djamil, *Hukum Ekonomi Islam: Sejarah, Teori, dan Konsep* (Jakarta: Sinar Grafika, 2023).

<sup>12</sup> Muhammad Siddiq-Armia, *Penentuan Metode Dan Pendekatan Penelitian Hukum*, ed. Chairul Fahmi (Indonesia: Lembaga Kajian Konstitusi Indonesia (LKKI), 2022).

research data obtained in the field, namely in Cot Cut Village. The research in this thesis itself uses qualitative research, which is a research method that collects and analyzes data in the form of words (oral and written) and human actions that can be observed. In this case, researchers try to present information from descriptive data obtained both in the form of writing and oral regarding the application of cooperation practices and defaults in cattle raising between cattle owners and managers. When viewed from the source, the data is divided into two, namely primary data and secondary data, primary data sources are data sources obtained without going through intermediaries and obtained directly from the first source or respondent, primary data sources can be obtained either from interviews or directly. Secondary data is material that supports primary data, secondary data can be obtained through intermediary media. Secondary data can be in the form of a book, note or other that has a direct or indirect relationship with the topic being studied. In this study, both data sources were used. Primary data sources of this research are obtained directly from parties related to cattle raising cooperation.<sup>13</sup> Secondary data sources of this research are obtained from books, government publications, articles, journals, theses, websites, the internet and documentation. In this research, there are several ways of collecting data used, among others, observation or observation by systematically observing and recording the symptoms investigated by the practice of cooperation that occurs at the research location.<sup>14</sup> The interview method is carried out by means of question and answer in a face-to-face relationship.

## **RESULTS AND DISCUSSION**

### **Profit Sharing Cooperation and Forms of Default in Cattle Rearing in Indonesia**

The customary procedure among individuals is to conduct this collaboration by means of a verbal contract conveyed solely through speech, which serves as an invitation to collaborate. A concession will be reached in this agreement concerning the manner of collaboration, with the

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<sup>13</sup> A.K.F.M. Strijbosch, 'Methods and Theories of Dutch Juridical-Ethnological Research in the Period 1900 to 1997', in *Folk Law: Essays in the Theory and Practice of Lex Non Scripta*, ed. Alison Dundes Renteln and Alan Dundes (Univ of Wisconsin Press, 1995).

<sup>14</sup> Zainuddin Ali, *Metode Penelitian Hukum* (Jakarta: Sinar Grafika, 2021).

manager allocating a portion of the profits when the bovine is marketable for purchase and sale, or when the offspring of crosses is produced.<sup>15</sup>

A significant proportion of contracts that are initiated by the community itself employ a form of cooperation characterized by a lack of clarity concerning the precise termination date. Consequently, there is no established time standard for determining the duration of such collaboration. According to Muhammad, they conduct this cooperation on the premise of the following cattle owners' confessions:

At first, I attempted to occupy my spare time by keeping cows as a side gig to my primary occupation. However, after a while, when the cows began to procreate, the additional workload rendered me too much to handle, so I enlisted the assistance of other individuals.<sup>16</sup>

The interview reveals that the owner does not stipulate any particular conditions for the collaboration; rather, he or she merely expects the manager to perform the task to the best of their ability. The extent of profits or losses incurred by both parties is contingent upon the outcomes of the cow sale. During additional interviews, the researchers endeavoured to collect data from cattle caretakers concerning issues pertaining to collaboration. The initial data obtained by researchers was provided by Abdul Manaf, the cattle keeper: "I want to be invited to collaborate because it provides additional income from my other work as a farmer. Collaboration is carried out only with the trust of each party."<sup>17</sup>

Each party involved in an agreement naturally has a specific objective in mind. By fulfilling the obligations outlined in the agreement, rights will be acquired. This is exemplified in the cow maintenance cooperation agreement executed in Cot Cut Village, where the parties involved, including the manager, possess capital but are unable to manage it for various reasons. The cow keeper, on the other hand, is a capital-less party that is nonetheless considered to be entitled to the agreement's benefits.<sup>18</sup>

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<sup>15</sup> Arifinal Chaniago, *Pelajaran Ekonomi Dan Koperasi* (Bandung: Rosda, 2021).

<sup>16</sup> Hasil Wawancara Dengan Muhammad, Pemilik Sapi Pada Tanggal 20 Agustus 2022

<sup>17</sup> Hasil Wawancara Dengan Abdul Manaf, Pemelihara Sapi Pada Tanggal 23 Agustus 2022

<sup>18</sup> Rick Antle and John Fellingham, 'Models of Capital Investments with Private Information and Incentives: A Selective Review', *Journal of Business Finance & Accounting* 24, no. 7-8 (September 1997): 887-908, <https://doi.org/10.1111/1468-5957.00140>.

When negotiating profit-related agreements, the foundation is established on profit sharing in accordance with the original agreement. Profits from cattle farming in Cot Cut Village are distributed in a variety of methods, according to information obtained from Muhammad, who stated the following:

For bulls, the nominal value of the cow's purchase will be incorporated at the outset of the agreement. The profit generated from the sale of a cow will be diminished by the initial capital provided by the financier. For instance, suppose an owner purchases a bull for Rp. 5,000,000. Three to four years later, when the cows reach market readiness and generate a profit of Rp. 10,000,000, the proprietor shall receive a portion of the sales proceeds after the initial capital has been deducted. There are two methods for profit sharing on female cattle: the first method involves dividing the profits of the first calf from a heifer that has not yet given birth according to the management receives lhee blah aki (three legs) and the owner receives siblah aki (one leg). The second method involves dividing the profits of the second calf and subsequent ones from the broodstock equally between the manager and owner.<sup>19</sup>

According to the data gathered by researchers through the aforementioned interviews, the profit-sharing model utilized in this collaboration is predominantly established in accordance with local customs. However, this does not preclude the parties from reaching new agreements that better suit their preferences.<sup>20</sup>

Islam acknowledges a variety of profit-sharing arrangements, including Mudharabah, Muzara'ah, Musyarakah, and Mukhabarah.<sup>21</sup> A comparison can be made between the mawah concept and Mudharabah, a form of profit-sharing cooperation that is frequently used as an analogy.<sup>22</sup> Mudharabah can be defined as a business collaboration arrangement involving two parties. One of these parties serves as the investor (shahibul maal), contributing the entire capital, while the other assumes the role of manager (muḍārib). Profits are distributed in accordance with the

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<sup>19</sup>Interview with Muhammad, Cow Owner on 01 September 2022

<sup>20</sup> Fuady, *Hukum Bisnis dalam Teori Praktek Buku Ketiga*.

<sup>21</sup> Ida Nuraini, *PENGANTAR EKONOMI MIKRO* (Malang: UMMPress, 2016).

<sup>22</sup> Hasbi Ash-Shiddiqie, *Pengantar Fikih Muamalah* (Jakarta: Sinar Bintang, 2021).

contractual terms of Mudharabah. However, in the event of a loss, the capital owner is responsible for the expense, provided that the loss does not arise from the manager's negligence.<sup>23</sup> If fraud or negligence on the part of the manager results in the loss, then the manager is liable for the expense.<sup>24</sup>

Collaboration is undeniably intertwined with concerns regarding potential hazards that the participating entities must be adequately prepared to confront. The level of profits obtained from a collaboration serves as an indicator of the extent to which it entails risks; conversely, the risks encountered are proportional to the profits obtained. It is not uncommon for work to entail certain risks, such as the potential for cows to perish from an illness that could result in a decline in their selling price or the risk of heifers dying. As per the information obtained by the author from the source, Mr. Klika, concerning the matter of liability and risk in this collaboration concerning cow illness, he stated:

I am responsible for managing marginally ill cows. If they require medical attention, it becomes a collective obligation. In the event of the cow's demise, both parties are liable for the expenses or suffer a loss. However, in the case where the cow's demise is attributable to management negligence, the responsibility is shared. "Prior to reaching a settlement, the parties may negotiate compensation or explore alternative methods.

According to information obtained by the author from sources concerning profit sharing in cattle husbandry within Cot Cut Village, this is accomplished in a number of ways. To begin with, profits are divided among bull owners in proportion to the difference between the sale proceeds and the initial investment. The profit share for female cattle, meanwhile, is approximated through hereditary factors. The profit is divided as follows: 75% goes to the manager and 25% goes to the owner for first generation calves whose mothers have never given birth; for second generation calves and beyond, the profit is divided as follows: 50% goes to the owner and 50% goes to the manager. The presence of challenges in maintenance becomes apparent when one examines the divergence

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<sup>23</sup> Abdurrahman Al-Juzairi, *Fikih Empat Mazhab*, trans. Nabhadi Idris, 4th ed. (Jakarta: Pustaka Al-Kautsar, 2017).

<sup>24</sup> Chairul Fahmi and Wira Afrina, 'ANALYSIS OF LEGAL ASPECTS ON DEBT TRANSFER FROM CONVENTIONAL BANK TO SHARIA BANK POST THE APPLICATION OF QANUN ACEH NO. 11 OF 2018', *Al-Mudharabah: Jurnal Ekonomi Dan Keuangan Syariah* 4, no. 1 (23 July 2023): 28-39, <https://www.journal.ar-raniry.ac.id/index.php/mudharabah/article/view/3047>.

between the agreed-upon procedures and the actual outcomes that transpire during fieldwork. These issues consist of managers collaborating on the purchase of medication for sick cows, which involves the mixing of capital, and the imposition of responsibility when the cows for sale are ill, even though the illness is not the result of negligence or malice on the part of the manager.

### **Legal Review of Agreements on Profit Sharing Cooperation**

The matter concerning the manner in which an agreement is executed is not methodically addressed in the Civil Code; therefore, every party involved is free to execute the agreement as they see fit, whether orally or in writing. In contrast, the legal principle of *Unus Testis Ullus Testis*, which states: "The testimony of a witness alone, without any other evidence, cannot be believed before the Court" (article 1905 of the Civil Code), renders the form of an oral agreement deficient in terms of evidentiary support. In essence, this principle states that a single witness is insufficient to establish an event or accord; rather, a minimum of two witnesses or one witness in conjunction with other evidence is required to prove an event.<sup>25</sup>

The facts on the ground indicate that the cooperation in this cow-keeping agreement satisfies the requirements for the validity of an agreement as stated in Article 1320 of the Civil Code. While agreements based solely on words may be used as a reference when entering into a contract, this is not the case. proof in the event of a problem.<sup>26</sup>

An agreement between two parties results in the formation of a legally binding relationship between them. By adhering to the rights and responsibilities outlined in the agreement, the objective of engaging into the agreement, as stated at the outset of the document, will be accomplished. This is in adherence to the provisions outlined in Article 1338 of the Civil Code, which affirms that "all legally executed agreements possess the force of law for their signatories."<sup>27</sup> Withdrawal of an agreement is only permissible through mutual consent of both parties or for justifiable reasons

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<sup>25</sup> T.R.S. Allan, 'Rule of Law (Rechtsstaat)', in *Routledge Encyclopedia of Philosophy*, 1st ed. (London: Routledge, 2016), <https://doi.org/10.4324/9780415249126-T022-1>.

<sup>26</sup> Gary F. Bell, 'Codification and Decodification: The State of the Civil and Commercial Codes in Indonesia', in *Codification in East Asia: Selected Papers from the 2nd IACL Thematic Conference*, ed. Wen-Yeu Wang (London: Springer Science & Business Media, 2014).

<sup>27</sup> Soedharyo Soimin, *Kitab Undang-Undang Hukum Perdata*.

as defined by the law. It is necessary to enter into an agreement in good faith.<sup>28</sup>

Nonetheless, upon closer inspection, it is evident that instances continue to arise frequently in collaborative partnerships where the intentions expressed in the agreement fail to correspond with its intended purpose. The aforementioned account bears resemblance to the cooperative effort concerning the sharing of cattle-rearing outcomes in Cot Cut Village, wherein a disparity emerged between the provisions outlined in the agreement and the actual circumstances transpiring on the ground.

Non-compliance with the agreement arises when the investor, their capacity as the cattle owner, endeavors to fulfill their responsibilities but fails to adhere to the provisions outlined in the agreement. In this particular instance, the disagreement concerns the allocation of earnings from the cattle sale to a third party, the manager. The profit sharing received by management is inconsistent with the agreement. The initial agreement outlines two profit sharing modalities: the bulls receive their own profits proportionate to the profits generated from the sale of the cow less the initial capital, and the manager receives 75% of the profits generated from the sale of females for the first calf and 25% for the owner; for subsequent children, the profit is divided equally between the owner and the manager. However, in practice, the profit distribution is as follows: 50% for the owner and 50% for the manager.

Upon examination of the initial agreement, one may discern a deviation in the manager's profit sharing when, despite fulfilling his obligations, the rights he is granted do not align with the terms that were agreed upon; in this particular instance, there are indications of one of the parties having committed a breach of contract or default. one of the participants in the cooperative agreement for cattle husbandry that took place in Cot Cut Village.

Field realities manifest as deviations from the terms of the agreement. An example of this can be seen in the case of Mr. Saiful Bahri, who was unjustly compensated for profit sharing due to the cow's illness despite the fact that he denied any intentional involvement in the cow's condition. According to V. Brakel, the presence of a force majeure event discharges the debtor from any performance obligations, and additionally exempts the

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<sup>28</sup> Chairul Fahmi, 'TRANSFORMASI FILSAFAT DALAM PENERAPAN SYARIAT ISLAM (Analisis Kritis Terhadap Penerapan Syari'at Islam Di Aceh)', *Al-Manahij: Jurnal Kajian Hukum Islam* 6, no. 2 (2012): 167-76.

debtor from the obligation to compensate the creditor for any losses incurred as a result of the force majeure.<sup>29</sup>

The case personally encountered by Saiful Bahri demonstrates that accountability is imposed in the form of profit sharing deducted from the sale proceeds, despite the fact that the cows sold are unhealthy and consequently cause a decline in price. This is in direct opposition to the provisions outlined in Article 1245 of the Civil Code, which states, "No loss or interest costs are obligated to be reimbursed in the event that the debt is caused to the debtor by compelling circumstances or an unintended event." Saiful Bahri's actions transpired contrary to his volition or deliberate intention; thus, he cannot be held liable for the resulting loss. On the other hand, the cow owner breached a contract by honoring a commitment that did not align with the terms of the agreement.

Based on Abdul Manaf's admission as a cattle manager, subsequent to the sale of the livestock he had managed for an extended period of time, he was entitled to a profit share that deviated from the terms of the agreement as a result of the owner's deductions. The proprietor contended that this was the case because the deduction was made from the expenses he had incurred for medications and other related matters. However, Abdul Manaf himself admitted to spending some money on cow care, albeit a negligible amount. This resulted in ambiguity regarding the allocation of responsibilities, as conditions governing the purchase of medications and other remedies were not previously specified in the agreement. This form will have an impact on the profit distribution, which will almost certainly lead to a breach of contract.

As previously elucidated, the collaboration has been marred by broken promises manifested in the management's imposition of compensation for sick cattle through ratio reductions, as well as the owner's unilateral reduction of the ratio on the grounds that he has expended capital on cow necessities. A thorough examination of the aforementioned forms of default reveals that they can be classified as either honoring a commitment made in the agreement but failing to adhere to its terms or breaching a promise made.

Due to the breach of performance by one of the contracting parties, legal ramifications will ensue as a direct consequence of the default. As stated by R. Subekti, the debtor is obligated to fulfill a form of responsibility

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<sup>29</sup> Fuady, *Hukum Bisnis dalam Teori Praktek Buku Ketiga*.

as a legal consequence of this occurrence. This responsibility may be fulfilled in the following ways:

- a. Compensating creditors for losses incurred;
- b. Cancelling the agreement; or, alternatively, breaching the agreement.
- c. Transferring risk.
- d. Compensate for the court expenses in the event of a trial before a judge.

There are two distinct methods by which a legal case can be resolved: litigation, which involves going to court, and non-litigation, which involves arbitration and alternative dispute resolution. In his confession concerning the profit-sharing issue, Saiful Bahri stated that he did not take any action to resolve it because he wished to preserve the long-standing positive relationship with the cow proprietor. Abdul Manaf followed suit; when he inquired about the profit sharing he received, he was informed that it was necessary for him to purchase medicines supplied by the proprietor. He also incurred expenses to acquire these medications, as his intention was to avoid tarnishing a relationship, despite the fact that doing so would result in financial losses.<sup>30</sup>

Based on the explanation above, it can be seen that the form of agreement made in this profit-sharing cooperation is in accordance with contract law by fulfilling the requirements stated in article 1320 of the Civil Code, however, when a breach of contract occurs in the agreement, the management does not have strong enough evidence. because the form of an oral agreement without witnesses is applied.

### **Review of Mudharabah Agreement on Profit Sharing and Default in Cattle Raising in Cot Cut Village, Indonesia**

From the perspective of Islamic law, there is no explicit dispute regarding the examination and regulation of cooperative share of the proceeds from the rearing of livestock, including cows. Nevertheless, an examination of the cooperative relationships established among the involved parties reveals that capital management is conducted with the intention of attaining financial gain. Consequently, this type of cooperation

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<sup>30</sup> Abdul R Saliman, *Hukum Bisnis Untuk Perusahaan Teori Dan Contoh Kasus*.

can be classified as Mudharabah cooperation, a regulation explicitly outlined in Islamic law.<sup>31</sup>

The oral agreement utilized in the cattle-raising agreement can also serve as a foundation for its implementation under Islamic law. This is in accordance with the principle of consensualism, which posits that the agreement entered into by the involved parties constitutes a form of accomplishment or occurrence in an agreement. a clause containing an agreement. Nevertheless, this approach carries significant peril in the event of a disagreement within an agreement, contrary to what Allah SWT advises in verses 282-283 of QS Al-Baqarah: "O you who believe, if you cannot resolve the dispute in cash within the allotted time, you should record it."

In the cattle rearing cooperative of Cot Cut village, profit sharing is implemented in two distinct forms: unequal and equal. This is evident in the profit-sharing system for non-calf bulls, which is determined by the cow's sale proceeds less the initial investment. The profit share for female cattle, meanwhile, is approximated through hereditary factors. The profit is divided as follows: 75% goes to the manager and 25% goes to the owner for first generation calves whose mothers have never given birth; for second generation calves and beyond, the profit is divided as follows: 50% goes to the owner and 50% goes to the manager. Based on the researcher's assessment, the form of profit sharing becomes evident when a specific percentage is utilized, which is determined by the capital owner and custodian in agreement.

Based on the various explanations provided, it is evident that this collaborative effort in cattle rearing has satisfies the fundamental principles and stipulations outlined in a contractual agreement, particularly a Mudharabah contract. This is evident from the outset of the contract, wherein the rights and responsibilities are unambiguously established, encompassing the equitable allocation of profits. in which each party receives a percentage of the total quantity.

Difficulties that arise from the allocation of the profits generated from cattle husbandry manifest when accountability is imposed on management for the sale of cattle in a deplorable state, resulting in a price decline below the market value. Despite the manager's denial that the illness was

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<sup>31</sup> Islamic Economics and Finance Pedia, 'Islam Forbids the Violation of Copyrights and Laws Regarding Intellectual Property - Islamic Economics & Finance Pedia', 2021, <https://www.iefpedia.com/english/?p=2923>.

intentional, the consequence at price decrease constitutes a problem. pertaining to the wages paid not being in accordance with the initial agreement under the guise that they were deducted from the capital invested by the cow owner to purchase medicine and other necessities for the cows, despite the fact that the manager claimed he included his capital when purchasing medicine for the cows despite the fact that he did not spend a great deal of money.<sup>32</sup>

The researchers' primary concern regarding the profit-sharing practice is the presence of an element of unpredictability in the profit distribution under specific circumstances. In Islamic jurisprudence, in order to classify an action as a breach of contract, it must satisfy three pillars: the presence of an error, the occurrence of a loss, and the establishment of a causal connection between the error and the loss.

Forms of default can be classified into two categories: non-performance of the contract and failure to perform. The field's implementation of profit sharing demonstrates that the cow proprietor erred in his commitment by reducing the ratio that had been approved by management. The manager acknowledged that he had provided optimal care for the cow; however, the cow contracted a disease outbreak that surpassed his capacity to manage. When examined from a nomenclature standpoint, overmatch (compulsion/emergency) is also considered a type of error. However, it does not qualify as a *dhaman* because a third element, namely causality, must be satisfied in opposition to this. In essence, the proprietor of the livestock commits an error in the practice of profit sharing when he unilaterally reduces the ratio, thereby causing the manager's compensation to deviate from the terms agreed upon at the outset of the agreement. Furthermore, despite the inclusion of forced circumstances such as errors, attributing culpability for losses (*dhaman*) is not possible.

In order for *dhamân* to be realized, it is not only sufficient that there be an error (*at-ta'addi*) on the part of the debtor, but there must also be a loss (*adh-dharar*) on the part of the creditor as a result of the error. In relation to the breach of contract, the form of loss that occurs in the profit sharing of raising cattle occurs when the profits obtained are not optimal due to a shortfall in the portion of profits received by the management as a burden of responsibility from the decreasing sales price of cattle. It can be concluded that there are losses experienced by the parties involved in this

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<sup>32</sup> Antle and Fellingham, 'Models of Capital Investments with Private Information and Incentives'.

cow rearing collaboration, namely in the form of a reduction in the quantity or benefits received by the manager from the sale of cows.

The occurrence of losses attributable to contract errors are interconnected issues. The party responsible for a contractual error that causes harm to the other party is obligated to furnish compensation as a means of acknowledging liability for his error. However, there is a circumstance in which an individual is unable to fulfil his obligations properly and therefore cannot be burdened with compensation (cannot be compensated). Such circumstances compel the individual to act otherwise. This occurs in this profit-sharing cooperative when the cattle being traded become ill, thereby introducing an element of unpredictability into the profit distribution. Based on the manager's admission regarding the unilateral reduction in profit sharing, it can be concluded that the cow's illness was not the result of his negligence and was beyond his capacity to manage.<sup>33</sup>

As stated previously, the manager's profit sharing is diminished due to the cow owner's perception that an error on the part of the manager caused the cow to become ill, thereby causing a decrease in the selling price from its customary level. Conversely, the manager offers a defense by asserting that he diligently attended to the cow's needs and that the illness it contracted as a result of its exposure to an epidemic was beyond its capacity to endure. Mudharib is the individual entrusted with administering the capital under a Mudharabah profit sharing agreement; therefore, he may not be held liable for compensating for losses incurred in the collaboration. His liability for compensating for losses shall be limited to circumstances in which he intentionally causes the capital's proprietor to incur losses.<sup>34</sup>

In addition to the remuneration of managers who are adjudicated to have committed an error, the owner's unilateral deduction of profit sharing presents additional complications on the grounds that the deduction is intended to reimburse the capital expended during cattle husbandry, including expenses for medicines or other treatments. This contradicts the manager's statement and indicates that the owner has deviated from the terms of the original agreement. Furthermore, the owner

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<sup>33</sup> Cindawati Cindawati, 'PRINSIP GOOD FAITH(ITIKAD BAIK) DALAM HUKUM KONTRAK BISNIS INTERNASIONAL', *Mimbar Hukum - Fakultas Hukum Universitas Gadjah Mada* 26, no. 2 (2014): 181-93, <https://doi.org/10.22146/jmh.16038>.

<sup>34</sup> Anika -, Chairunnisa -, and Saputro, 'Potensi Praktik Monopoli dalam Merger Bank Syariah Indonesia'.

has incorporated capital in the form of funds expended for the cow's necessities.<sup>35</sup>

Based on the aforementioned explanation, the owner may be classified as an individual who breaches Islamic Jurisprudence's pillars in the form of errors, losses, and the causal connection between errors and losses, all of which affect the manager. Conversely, the manager may absolve himself of liability by substantiating external or foreign causes, such as compelled circumstances that arise in the course of self-defence.

The notion of Mudharabah contracts and the concept of default in contract law share similarities in the manner in which liability is absolved for one of the parties who commits a default, provided that the error is not the result of negligence as defined in Articles 1244 and 1245 of the Criminal Code or the concept of external causes. In Islamic law, "foreign" refers to a coerced circumstance, such as an epidemic or calamity. An additional analogy can be observed in the legal principle of *Unus Testis Ullus Testis*, which states that "the face of the Court must not be believed" and "the testimony of a witness alone, without any other evidence," is "the weakness of an agreement, contract, or agreement that is solely based on verbal/verbal statements." This provision is found in article 1905 of the Civil Code. Islam prescribes the practice of performing Muamalah using notes as evidence, as stated in verses 282-283 of QS Al-Baqarah.

Regarding compensation in default, a minor distinction can be observed between these two analyses. Article 1236 of the Criminal Code stipulates that compensation encompasses costs, losses, and interest. However, the Islamic legal framework strictly prohibits the notion of compensation, as agreed upon by the ulama. The rationale for this prohibition is that compensation is restricted to property that possesses value, whereas interest is permissible. However, due to the fact that this collaboration is not affiliated with a specific institution, compensation issues such as the one described above are uncommon.

Finally, a debtor may be exempt from liability for losses in accordance with the provisions of Criminal Code articles 1244 and 1245. Force majeure can be utilized as a justification for losses caused by unforeseen and compelling circumstances. An aspect that distinguishes Islamic law is the notion of external or foreign causes, which encompasses

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<sup>35</sup> Chairul Fahmi, 'Revitalisasi Penerapan Hukum Syariat Di Aceh (Kajian Terhadap UU No.11 Tahun 2006)', *TSAQAFAH* 8, no. 2 (30 November 2012): 295-310, <https://doi.org/10.21111/tsaqafah.v8i2.27>.

compelled situations like epidemics or disasters, harm caused by the creditor's own errors, and errors committed by third parties.

## CONCLUSION

The author can draw the following conclusions from the research findings and discussions examined in the preceding chapters: first, cattle serve as initial capital in the cooperative cattle rearing practice in Cot Cut Village. A cooperation agreement is executed through an oral contract that lacks a specified time limit. Furthermore, with regard to contract law, the cooperative agreement is structured in accordance with the provisions outlined in Article 1320 of the Civil Code. This article delineates the prerequisites for an agreement to be deemed legally enforceable and thus a legally concluded contract. However, in cases of breach of contract-related commitments (e.g., profit sharing reductions or distribution of profits that deviate from the agreement), despite the occurrence being attributed to force majeure, the affected management refrains from pursuing legal action. This decision is motivated by the desire to preserve the longstanding positive relationship with the cow owner. This form of cooperation is conducted in accordance with Islamic law via verbal agreement and is not time-bound. The manner in which cattle are raised in collaboration adheres to the principles and conditions outlined in the agreement, particularly the Mudharabah.

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